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# 1969 ANNUAL REPORT

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED



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## *Chairman of the Board of Directors*

Lic. Antonio Ortiz Mena  
Secretary of the Treasury and Public Credit

## *Officers*

Lic. Guillermo Martínez Domínguez  
Lic. Ismael Reyes Retana  
Ing. Germán García Santaella  
Ing. Rafael N. Gómez  
Ing. Roland Pohlenz S.  
Lic. José Alfredo Reynoso

## *Transfer Agents*

National Trust Company, Limited, Toronto and Montreal  
The Corporation Trust Company, Jersey City

## *Trustee of Bondholders*

National Trust Company, Limited, Toronto

## *Auditors*

Despacho Manuel Resa, Mexico, D. F.



## *Contents*

OFFICERS .....	1
HIGHLIGHTS OF 1969 .....	3
ANNUAL REPORT .....	4
CONSOLIDATED STATISTICS 1965 TO 1969 ....	6
AUDITORS' REPORT .....	9
CONSOLIDATED FINANCIAL STATEMENTS .....	12





THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES  
(Including Compañía de Luz y Fuerza del Centro, S. A.)

## Highlights of 1969

(With comparative figures for 1968)

	1969	1968
LENGTH OF LINES INSTALLED DURING THE YEAR IN WORKERS' SUBDIVISIONS (in Kms)		
6 KV	220	30
LOW VOLTAGE	310	136
TOTAL LENGTH OF DISTRIBUTION LINES INSTALLED DURING THE YEAR (in Kms)		
6 KV	126,178	62,606
23 KV	271,614	249,378
OPERATING REVENUE	1,991,604,675	1,815,792,887
ELECTRIC ENERGY GENERATED BY THE THERMOELECTRIC AND HYDROELECTRIC PLANTS OF THE COMPANY (Kwh)	2,969,950,110	2,096,212,292
ENERGY PURCHASED FROM THE FEDERAL ELECTRICITY COMMISSION (Kwh)	5,813,001,132	5,898,062,717
ANNUAL COST OF ENERGY PURCHASED FROM THE FEDERAL ELECTRICITY COMMISSION	522,063,099	517,963,163
ANNUAL COST OF FUEL	71,581,060	36,686,484
ANNUAL COST OF WAGES AND EMPLOYEE BENEFITS	828,340,394	706,855,148
OPERATING REVENUE	293,299,355	295,904,994

# *Annual Report*

## *Investments*

In 1969 the Companies invested 457 million pesos in additions to installations in order to meet the demand for electric energy in the area it serves.

Fifteen 23 KV feeders and three 6 KV feeders were installed. Eleven transformer vaults and 26 substations on non company land were equipped. The transformer capacity of the distribution network was increased by 90,000 KVA with 670 distribution transformers being installed. With this latter addition the total capacity of this network reached 1,380,000 KVA.

The electrification of workers' subdivisions continued during 1969 with the construction of distribution and public lighting networks in 14 sections of the city, and the connection of 12,000 new services.

The substation capacity was increased by 218,000 KVA and in addition 23 KV capacitors with a total of 35,000 KVAR were installed.

Work on the construction of the north and east sections of the 230 KV ring was practically finished.

Important transmission line projects were the construction of the 85 KV Remedios-Careaga line, the reconstruction of the 85 KV Cerro Gordo-Lechería line, the completion of the second circuit of the Jasso-Lechería line, and the installation of the 85 KV Nonoalco-Buen Tono and Jamaica-Buen Tono underground cables in order to supply the Collective Transportation System (subway).

costs  
↓

## *Sales*

In 1969 sales amounted to 7,563 million KWH and were 9.3% greater than those of 1968, which in turn had shown a 10.8% increase with respect to the sales of 1967. The percentage increase in 1969 was greater than the compound annual growth of the period 1960-1969 which was 9.1%.

## *Generation and Purchase of Electric Energy*

The total electric energy generated and purchased was 8,783 million KWH, 9.9% greater than in 1968. The maximum hourly demand was 1,695 MW, 10.1% higher than that of the preceding year.

## *Consumers*

The number of new consumers connected to the system during the year was 64,633. This raised the number of customers of the Companies to 1,429,000.



## Financial Results

Gross revenues were 9.7% greater than in 1968, amounting to a total of 1,992 million pesos. Nevertheless, the net profit for the year was less than that of the previous year by 45 million pesos because of the following increases in expenses and provisions:

- a) Expenses for fuel used in thermal generation increased by 35 million pesos as 1,680 million KWH were generated, compared to the thermal generation of 823 million KWH in 1968, an increase of 857 million KWH. This increase in thermal generation resulted from the flow of water for use in the hydro-electric plants during the first six months of 1969 being the lowest that has been registered in the different watersheds which supply the central system.
- b) Wages increased by 49 million pesos, of which only 24 million correspond to a real increase in operating and maintenance wages resulting from the natural growth of the Companies. This increase resulted from more maintenance work being done in 1969 than in 1968 and because the increase in wages granted in 1968, which affected only 9.5 months of that year, applied to the full 12 months of 1969. The remaining 25 million pesos apparent increase results from the charge for maintenance wages in 1968 having been reduced by this amount through the cancellation in that year of the Provision for Deferred Maintenance set up the year before. The total of 38 million pesos in the accumulated provision at the beginning of 1969 was cancelled by charging to it 25 million pesos corresponding to maintenance wages and 13 million pesos corresponding to materials and other expenses.
- c) Partially compensating for the above-mentioned apparent increases is an apparent reduction of 20 million pesos in the annual Provision for Deferred Maintenance since no provision was made in 1969, while a provision of 20 million pesos was made the preceding year.
- d) There was an increase in employee benefits of 72 million pesos, of which 25 million were due to the natural growth of the Company and the repercussion in the 12 months of the year of the wage increase arising from the new Collective Labor Contract which only applied to 9.5 months of 1968. The remaining 47 million pesos were due to an adjustment of 32 million pesos made to the Provision for Pensions and another adjustment of 15 million pesos made to establish a Provision against which separation payments, which must be paid to the workers, can be charged. These two adjustments resulted from a study made for this purpose by an independent actuary.
- e) Materials and other operating, maintenance and administrative expenses increased by 33 million pesos, of which 13 million represent only an apparent increase due to the cancellation in 1968 of the Provision for Deferred Maintenance already mentioned.
- f) The increase of 48 million pesos in interest on debt is the consequence of the additional credits which had to be contracted during 1969 and the higher rates of interest applicable to these new credits.

Mexico, D. F., June 30, 1970.

LIC. ANTONIO ORTIZ MENA  
Chairman of the Board

LIC. GUILLERMO MARTINEZ DOMINGUEZ  
President and General Manager



## Consolidated Statistics 1965 to 1969

	1965	1966	1967	1968	1969
PLANT CAPACITY (MW)					
Hydroelectric plants .....	313	313	313	313	313
Thermoelectric plants .....	354	354	354	354	354
Total .....	667	667	667	667	667
Interconnected plants of the Federal Electricity Commission .....	978	1,301	1,166	1,203	1,390
Total .....	1,645	1,968	1,833	1,870	2,057
ENERGY GENERATED AND PURCHASED (MILLIONS OF KWH)					
Hydroelectric generation of the Companies .....	1,284	1,291	1,300	1,273	1,290
Thermoelectric generation of the Companies .....	928	717	825	823	1,680
Total .....	2,212	2,008	2,125	2,096	2,970
Energy purchased from the Federal Electricity Commission .....	3,891	4,654	5,126	5,898	5,813
Total .....	6,103	6,662	7,251	7,994	8,783
MAXIMUM HOURLY DEMAND (MW) (1)	1,229.8	1,297.9	1,411.7	1,539.6	1,695.6
YEARLY SYSTEM LOAD FACTOR — % (1)	56.6	58.6	58.6	59.3	59.1
ENERGY SOLD (MILLIONS OF KWH)					
Residential .....	782	903	1,013	1,097	1,212
Commercial and industrial low voltage .....	916	1,036	1,077	1,193	1,287
Industrial and mining, high voltage .....	2,668	2,961	3,283	3,648	3,999
Tramways .....	112	114	119	119	113
Government .....	635	692	749	861	952
Total .....	5,113	5,706	6,241	6,918	7,563
AVERAGE PRICE TO CONSUMERS PER KWH SOLD Mexican centavos					
To residential customers .....	42.7	42.5	42.1	42.1	42.0
To all customers .....	26.3	26.3	26.4	26.2	26.3

(1) Considering the interconnected plants of the Federal Electricity Commission as part of the system (almost all the energy produced by these plants is sold to the Company for distribution).

	1965	1966	1967	1968	1969
NUMBER OF CONSUMERS (in thousands)					
Residential .....	912	1,008	1,072	1,138	1,165
Commercial, industrial and others ....	192	204	214	226	264
Total .....	1,104	1,212	1,286	1,364	1,429
POPULATION SERVED (in thousands) ....	6,700	7,000	7,400	7,900	8,340

## *Comparative Statement of Expenses*

Thousands of Pesos

	1965	1966	1967	1968	1969
Energy purchased .....	362,506	418,000	488,141	517,963	522,063
%	100	115	135	143	144
Fuel .....	39,408	32,259	35,664	36,686	71,581
%	100	82	90	93	182
Other operating and maintenance expenses .....	65,733	63,768	110,211	93,628	97,678
%	100	97	168	142	149
Wages and employee benefits .....	569,586	619,289	633,519	706,855	828,340
%	100	109	111	124	145
Administrative expenses and provision for doubtful accounts .....	27,528	29,039	35,736	27,703	30,578
%	100	105	130	101	111
Taxes (excluding income tax) .....	25,861	24,068	23,242	23,502	29,826
%	100	93	90	91	115
Depreciation and amortization .....	67,812	89,486	104,815	113,550	118,239
%	100	132	155	167	174
Interest on debt .....	98,518	105,688	108,015	108,188	155,768
%	100	107	110	110	158
	1,256,952	1,381,597	1,539,343	1,628,075	1,854,073
%	100	110	122	129	147





# THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES

## \*SUBSIDIARY COMPANIES

Cía. de Luz y Fuerza de Pachuca, S. A.

Cía. Mexicana Meridional de Fuerza, S. A.

Cía. de Luz y Fuerza del Centro, S. A.

Cía. de Luz y Fuerza Eléctrica de Toluca, S. A.

Cía. Mexicana Hidroeléctrica y de Terrenos, S. A.

## *Auditors' Report*

To the Shareholders of  
The Mexican Light and Power Company, Limited:

In our opinion the consolidated balance sheet in Mexican Currency and the related statements of profit and loss and of movement of shareholders' investment for the year ended as of December 31, 1969, reasonably show the financial situation of The Mexican Light and Power Company, Limited, and subsidiary companies and the results of their operations ended on that date in conformity with generally accepted accounting principles applied on similar bases consistent with that of the preceding year, except for the changes made, which we are in accordance with, in the criterion for accounting for accrued depreciation, and for pensions and compensation to employees, which are stated in Notes 3 and 4.

Our examination was made in accordance with generally accepted auditing standards including, consequently, the auditing procedures which we considered necessary in the circumstances.

DESPACHO MANUEL RESA,

Manuel Resa  
Public Accountant

Mexico, D. F.  
May 22, 1970

# Consolidated Balance Sheet

(Expressed in

## ASSETS

### CURRENT:

	1969	1968
Cash (including retirement and replacement fund) .....	\$ 261,347,624	\$ 297,805,127
Consumer's accounts receivable, net .....	304,940,355	261,622,127
Material and supplies, at average cost, net .....	134,851,916	116,438,072
Debtors, claims and other current assets .....	128,562,444	70,150,624
Insurance and other pre-paid expenses .....	20,519,513	18,607,276
	<u>\$ 850,221,852</u>	<u>\$ 764,623,226</u>

### OTHER:

Loans to employees .....	\$ 351,272,421	\$ 258,383,532
Investments in securities, at cost .....	1,224,780	1,052,080
Instruments receivable after one year .....	22,963,775	35,464,485
Pre-paid and other expenses over one year .....	26,775,461	12,806,338
	<u>\$ 402,236,437</u>	<u>\$ 307,706,435</u>

### FIXED:

Property, plant and equipment (Notes 1 and 2) .....	\$ 5,303,173,949	\$ 4,949,022,695
Less: Accrued depreciation and amortization (including retirement and replacement fund) (Note 3) .....	1,609,023,550	1,394,665,391
	<u>\$ 3,694,150,399</u>	<u>\$ 3,554,357,304</u>
Construction works in progress .....	393,092,007	298,404,910
Stores for construction .....	8,768,726	7,567,588
Advances for construction .....	6,108,140	13,205,332
	<u>\$ 4,102,119,272</u>	<u>\$ 3,873,535,134</u>

On behalf of the Board:

LIC. ANTONIO ORTIZ MENA

LIC. GUILLERMO MARTINEZ DOMINGUEZ

\$ 5,354,577,561

\$ 4,945,864,795

# as at December 31, 1969

(Mexican Currency)

(With comparative figures as at December 31, 1968)

## LIABILITIES

### CURRENT:

	1969	1968
Accounts payable to suppliers, contractors and others . . . .	\$ 71,388,461	\$ 84,192,002
Dividends declared . . . . .	4,948,001	4,944,549
Current portion of long-term debt . . . . .	432,652,114	413,745,384
Accrued interest, wages and other expenses . . . . .	53,129,517	72,993,402
Employees' and Pensioners' Savings Fund . . . . .	15,565,299	16,604,498
	<u>\$ 577,683,392</u>	<u>\$ 592,479,835</u>

### LONG TERM (see statement attached)

	<u>\$ 2,112,906,032</u>	<u>\$ 1,812,291,597</u>
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### OTHER LIABILITIES:

Provision for pensions (Note 4) . . . . .	\$ 160,699,978	\$ 131,892,060
Separation payments (Note 4) . . . . .	105,213,730	—
Consumers' and other deposits . . . . .	118,270,245	109,985,548
	<u>\$ 384,183,953</u>	<u>\$ 241,877,608</u>
	<u>\$ 3,074,773,377</u>	<u>\$ 2,646,649,040</u>

## SHAREHOLDERS' INVESTMENT

### CAPITAL STOCK:

Preferred shares -		
Authorized and issued — 852,598 shares having a par value of \$ 13.50 Can. Cy. per share - (Note 5) . . . . .	\$ 147,400,872	\$ 147,512,556

### Common shares of no par value

Authorized	5,000,000	
Issued — 1969	4,196,111	
Issued — 1968	3,814,842	
	<u>\$ 408,416,475</u>	<u>403,350,050</u>
	<u>\$ 555,817,347</u>	<u>\$ 550,862,606</u>

### EARNED SURPLUS: - (Note 4)

Statutory reserve . . . . .	\$ 38,253,088	\$ 33,534,076
Reinvestment reserve . . . . .	734,017,998	744,725,065
Retained earnings reserve . . . . .	408,623,758	421,091,091
Unallocated income for the year, after deducting \$4,858,895 in 1969 and \$7,972,382 in 1968, transferred to statutory reserve . . . . .	126,719,815	171,394,427
	<u>\$ 1,307,614,659</u>	<u>\$ 1,370,744,659</u>
	<u>\$ 1,863,432,006</u>	<u>\$ 1,921,607,265</u>

### Consumers' cooperation toward extensions

	<u>\$ 416,372,178</u>	<u>\$ 377,608,490</u>
	<u>\$ 5,354,577,561</u>	<u>\$ 4,945,864,795</u>

The attached notes form part of this statement.

# *Statement of Consolidated Profit and Loss for the Year Ended December 31, 1969*

(With comparative figures for the year ended December 31, 1968)  
(Expressed in Mexican Currency)

	1969	1968
OPERATING REVENUE	\$ 1,991,604,675	\$ 1,815,792,887
OPERATING AND OTHER EXPENSES:		
Energy purchased .....	\$ 522,063,099	\$ 517,963,163
Fuel .....	71,581,060	36,686,484
Wages .....	463,068,748	413,660,140
Employee Benefits .....	365,271,646	293,195,008
Other operating and maintenance expenses .....	97,677,584	73,627,946
Provision for deferred maintenance .....		20,000,000
Administrative expenses .....	22,771,764	16,703,233
Provision for doubtful accounts .....	7,806,464	11,000,000
Taxes and duties .....	29,826,103	23,501,743
Provision for retirements and replacements, including depreciation and amortization (Note 3) .....	118,238,852	113,550,176
	\$ 1,698,305,320	\$ 1,519,887,893
NET OPERATING REVENUE .....	\$ 293,299,355	\$ 295,904,994
OTHER REVENUE .....	5,047,198	1,649,437
	\$ 298,346,553	\$ 297,554,431
INTEREST ON LONG TERM DEBT .....	\$ 185,807,960	\$ 141,807,202
Less: Interest during construction .....	7,033,898	8,667,981
	\$ 178,774,062	\$ 133,139,221
Less: Interest earned on investment in immediately redeemable securities .....	23,006,219	24,951,599
NET INTEREST .....	\$ 155,767,843	\$ 108,187,622
PROVISION FOR EMPLOYEES' PROFIT SHARING .....	11,000,000	10,000,000
	\$ 166,767,843	\$ 118,187,622
NET PROFIT OF THE YEAR .....	\$ 131,578,710	\$ 179,366,809
APPROPRIATION TO THE STATUTORY RESERVE .....	4,858,895	7,972,382
SURPLUS FOR THE YEAR, TO BE ALLOCATED .....	\$ 126,719,815	\$ 171,394,427

The attached notes form part of this statement.



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES  
(Including Compañía de Luz y Fuerza del Centro, S. A.)

*Consolidated Statement of Movement of Shareholders' Investment for the Year Ended December 31, 1969*

(Expressed in Mexican Currency)

	Capital stock	Statutory reserve	Reinvestment reserve	Retained earnings reserve	Unallocated surplus from previous years	Unallocated profit for current year	Consumers cooperation toward extensions
Balance at December 31, 1968 .....	\$550,862,606	\$33,534,076	\$744,725,065	\$421,091,091	\$ —	\$171,394,427	\$377,608,490
Transfer of the 1968 profits .....	—	—	—	—	\$171,394,427	(171,394,427)	—
Adjustment of the provision for employees' profit sharing in 1968 .....	—	—	—	—	10,871	—	—
Purchase, at redemption price, and cancellation of 646 unclaimed preferred shares in accordance with Clause 25 of the Plan of Arrangement dated December 1, 1949 .....	(111,684)	—	—	(10,302)	—	—	—
Surplus from liquidation of L. M. Guibara, Sucs., S. en C. (Subsidiary) ..	—	(139,883)	(5,640,642)	(2,600,998)	8,381,523	—	—
Dividends declared by The Mexican Light & Power Company, Limited ...	—	—	—	—	—	—	—
In cash, on the Preferred Shares, (\$1.00 Can. Cy. per share) ....	—	—	—	(9,856,033)	—	—	—
In stock, on the Common Shares, 381,269 shares (10 one hundredths of a common share per share, stated at \$1.00 Can. Cy. per share) .....	5,066,425	—	(5,066,425)	—	—	—	—
Credit from the cancellation of contingent liability provisions ...	—	—	—	—	2,626,909	—	—
Increase in reserves, as follows:							
Adjustment to the accrued depreciation as of December 31, 1968, resulting from the adoption of new rates and methods whose use prevails in Mexico (Note 3) .....	—	—	—	—	(92,200,000)	—	—
Establishment of the liability for separation payments (Note 4) .....	—	—	—	—	(90,213,730)	—	—
Consumers' cooperation toward extensions in 1969 .....	—	—	—	—	—	—	38,763,688
Net profit for the period from January 1 to December 31, 1969 as per consolidated statement of earnings, deducting the appropriation to the statutory reserve .....	—	4,858,895	—	—	—	126,719,815	—
Balance as of December 31, 1969 .....	<u>\$555,817,347</u>	<u>\$38,253,088</u>	<u>\$734,017,998</u>	<u>\$408,623,758</u>	<u>\$ —</u>	<u>\$126,719,815</u>	<u>\$416,372,178</u>

# Consolidated Statement of Long Term Liabilities as at December 31, 1969

	Currency in which Payable	Original Currency	Mexican Currency
First Mortgage Bonds:			
5% Series "A" semi-annual Sinking Fund Bonds and De- benture stock, due 1975 .....	U S	\$ 3,619,700	\$ 45,246,250
	CAN	102,165	1,185,817
4½% Series "B" Serial Bonds, semi-annual maturities to 1975, guaranteed by Federal Government .....	U S	9,041,000	113,012,500
7% Series "D" Serial Bonds, semi-annual maturities to 1975 .....	MEX	—	36,357,000
5-5/8% Series "E" Serial Bonds, semi-annual maturities to 1977, guaranteed by the Federal Government .....	U S	5,489,341	68,616,762
	CAN	430,000	4,990,958
6% Series "F" annual Sinking Fund Bonds, due 1983 ....	U S	3,474,000	43,425,000
Total Outstanding .....			\$ 312,834,287
5½% Cumulative Income Debenture Stock, interest payable annually, and Sinking Fund of \$ 92,487 U.S. Cy. per annum. The guaranty is a general lien on the Company's property in case of default .....			
	U S	3,046,920	\$ 38,086,500
Other loans, subordinated to the above:			
From Nacional Financiera, S. A.			
At 7% per annum, semi-annual maturities to 1978	MEX		\$ 112,420,258
At 8% per annum, semi-annual maturities to 1981	MEX		74,198,651
			\$ 186,618,909
Federal Electricity Commission:			
Promissory notes in its favor:			
8.18% per annum, semi-annual maturities to 1980	U S	8,105,000	\$ 101,312,500
8.25% per annum, semi-annual maturities to 1980	U S	4,033,010	50,412,625
8.755% per annum, annual maturities to 1979 ...	GER	56,451,724	190,336,020
Non-interest bearing, due 1970 .....	MEX		\$ 60,000,000
			\$ 402,061,145

	Currency in which Payable	Original Currency	Mexican Currency
Joint contracts with Nacional Financiera, S. A., for subsidiary credits:			
436-ME at 5½ % and 6% per annum, semi-annual maturities to 1985 .....	U S	\$ 14,621,602	182,770,026
544-ME at 6 %, 6¼ % and 7% per annum, semi-annual maturities to 1988 .....	U S	9,663,040	120,788,000
Pending .....	U S	3,821,071	47,763,384
			\$ 753,382,555
Foreign Banks, with the guarantee of Nacional Financiera, S. A.:			
Loans from various foreign banks:			
At 6½ % to 7½ % per annum, with annual maturities from 1970 to 1979 .....	U S	32,362,261	\$ 404,528,260
At 10 % per annum, semi-annual maturities to 1972 .....	S W	35,963,333	104,226,415
At 11½ % per annum, due 1974 .....	S W	65,000,000	188,378,450
At 11 % per annum, due 1979 .....	S W	69,195,308	200,536,998
			\$ 897,670,123
Less: Unearned interest, documented .....			16,057,826
			\$ 881,612,297
Mexican Banks:			
Loans from various banks, at 12% per annum, with semi-annual maturities from 1970 to 1974 .....	MEX		\$ 368,000,000
TOTAL OF OTHER LOANS			\$ 2,189,613,761
Suppliers' credits, due in 1970 .....	U S	416,183	\$ 5,202,285
Less: Unearned interest, documented .....			178,687
TOTAL			\$ 5,023,598
			\$ 2,545,558,146
Less: Current portion of long term debt .....			432,652,114
TOTAL			\$ 2,112,906,032

MEX - Mexican Pesos  
 U S - U.S. Dollars  
 CAN - Canadian Dollars  
 GER - German Marks  
 SW - Swiss Francs

# THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES

(Including Compañía de Luz y Fuerza del Centro, S. A.)

## *Consolidated Statement of Source and Application of Funds*

(Expressed in Mexican Currency)

### SOURCE

#### Internal —

Net profit of the year .....	\$ 126,719,815	
Appropriation to Statutory Reserve .....	4,858,895	\$ 131,578,710
Increase in depreciation and amortization (including the provision for retirements and replacements):		
Current .....	\$ 118,238,852	
Special credit to unify rates and methods with those of Federal Electricity Commission (Note 3) ....	92,200,000	210,438,852
		<u>\$ 342,017,562</u>
Cooperation from consumers during year .....		38,763,688
		<u>\$ 380,781,250</u>

#### External —

Long term credits obtained from:		
Foreign banks .....	\$ 394,079,304	
Local banks .....	270,000,000	
Federal Electricity Commission and Nacional Financiera, S. A. ....	333,517,532	
	<u>\$ 997,596,836</u>	
Less: used to pay long term debt .....	617,379,304	
	<u>\$ 380,217,532</u>	
Creation of provision for separation payments (Note 4) .....	105,213,730	
Increase in other liabilities, especially provision for pensions	37,092,615	522,523,877
		<u>\$ 903,305,127</u>
Funds obtained .....		<u>\$ 903,305,127</u>

### APPLICATION

Additions to properties, plant and equipment .....		\$ 439,022,990
Net increase in current assets .....	\$ 85,598,626	
Reduction in short term liabilities .....	33,703,173	119,301,799
Increase in other assets .....		94,530,002
Reduction in long term liabilities .....		60,696,367
Net reduction in earned surplus:		
Special increase in accrued depreciation and creation of provision for separation payments .....	\$ 182,413,730	
Other decreases, net (principally from dividends on preferred shares) .....	7,340,239	189,753,969
Total funds used .....		<u>\$ 903,305,127</u>



*Notes to Consolidated Financial Statements  
in Mexican Currency as at December 31, 1969*

1. TRANSLATION OF FOREIGN CURRENCIES

The operations effected in 1969 in foreign currencies were stated in Mexican currency at the official exchange rate on the date of each operation and the assets and liabilities in foreign currency were translated to Mexican currency at the official exchange rate in effect during December 1969.

The additions to property, plant and equipment were registered at their cost in Mexican currency.

2. PROPERTY, PLANT AND EQUIPMENT

During 1960, based on an independent expert's studies, a revaluation of the fixed assets was made in the amount of \$1,205,199,170.00. This revaluation is included in the shareholders' investment.

The present balance of the revaluated fixed assets (deducting retirements and accrued depreciation) is \$870,945,915.00.

3. DEPRECIATION AND AMORTIZATION

In 1969, the Company adopted the rates and methods of depreciation used by the Federal Electricity Commission, which are also used by the majority of the companies generating electricity in the world. This produced an increase of \$ 92.2 million pesos in the balance accrued at December 31, 1968, which was applied against the earnings of previous years.

4. RESERVE FOR RETIREMENTS AND SEPARATION PAYMENTS

a) Until 1968, the provision for retirements was calculated in accordance with the provisions of the collective contract, including, besides, an estimate of benefits to officers. In 1969, based on studies by an independent actuary, the amount of payments to be made for this purpose over the next 10 years was determined, and the procedure was adopted of distributing over this term the charges to earnings. This change produced an additional increase in the provision, charged to the earnings of 1969, of \$32.0 million pesos.

b) A number of years ago, the Company assumed the commitment of granting its workers a separation payment, equivalent to 20 days' wages for each year of services rendered. The accrued benefits as of December 31, 1969 amounted to about \$300 million pesos and the estimated future annual payments are somewhat over \$20 million pesos.

In 1969 it was decided to register a liability for this item of \$105.2 million pesos (90.2 million pesos were applied to unallocated surplus of previous years and 15.0 million pesos to the 1969 earnings). In the future, in addition to the charge for payments made, the results will reflect a provision calculated in such a way that over a period close to 10 years this provision will show the total amount of separation payments accrued, even though the workers might not have the right to collect them.

5. PREFERRED SHARES

These shares are entitled to a cumulative preferential dividend of \$1.00 Can. Cy. per share per annum, and to receive \$16.50 Can. Cy. per share on redemption or in case of liquidation of the Company.









*CONSOLIDATED FINANCIAL STATEMENTS  
IN CANADIAN CURRENCY  
AND THE 1969 AUDITOR'S REPORT*

*THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES*



*Contents*

AUDITORS' REPORT . . . . .	3
CONSOLIDATED FINANCIAL STATEMENTS . . . . .	6





SUBSIDIARY COMPANIES

Cía. de Luz y Fuerza de Pachuca, S. A.

Cía. Mexicana Meridional de Fuerza, S. A.

Cía. de Luz y Fuerza del Centro, S. A.

Cía. de Luz y Fuerza Eléctrica de Toluca, S. A.

Cía. Mexicana Hidroeléctrica y de Terrenos, S. A.

## *Auditors' Report*

To the Shareholders of  
The Mexican Light and Power Company, Limited:

In our opinion, the consolidated balance sheet in Canadian Currency and the related statements of profit and loss and movement of shareholders' investment fairly present the financial position of The Mexican Light and Power Company, Limited, and subsidiary companies, as of December 31, 1969 and the result of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, with the exception of the changes, with which we agree, in the criterion used in accounting for accrued depreciation and pensions and separation payments to personnel, the effects of which are stated in Notes 2 and 3.

Our examination was made in accordance with generally accepted auditing standards including, consequently, the auditing procedures which we considered necessary in the circumstances.

DESPACHO MANUEL RESA

Manuel Resa  
Public Accountant

May 22, 1970  
Mexico, D. F.

# Consolidated Balance Sheet

(Expressed in

## ASSETS

### CURRENT:

Cash (including retirement and replacement fund) .....  
Consumers' accounts receivable, net .....  
Material and supplies, at average cost, net. ....  
Debtors, claims and other current assets .....  
Insurance and other pre-paid expenses .....

1969

\$ 22,598,342  
26,367,941  
11,660,834  
11,115,996  
1,652,073  
\$ 73,395,186

1968

\$ 25,750,957  
22,622,250  
10,068,304  
6,065,877  
1,608,955  
\$ 66,116,343

### OTHER:

Loans to employees .....  
Investment in securities, at cost .....  
Instruments receivable after one year .....  
Pre-paid and other expenses, over one year .....

\$ 30,374,237  
105,906  
1,985,659  
1,286,458  
\$ 33,752,260

\$ 22,342,210  
90,972  
3,066,585  
1,107,354  
\$ 26,607,121

### FIXED, AT COST

Property, plant and equipment (Note 1) .....  
Less: Accrued depreciation and amortization (including  
retirement and replacement fund) (Note 2) .....  
CONSTRUCTION WORK IN PROGRESS .....  
STORES FOR CONSTRUCTION .....  
ADVANCES FOR CONSTRUCTION .....

\$ 432,129,185  
131,705,958  
300,423,227  
33,812,020  
767,785  
528,171  
\$ 335,531,203

\$ 400,832,233  
112,533,309  
288,298,924  
25,737,335  
702,442  
1,143,487  
\$ 315,882,188

On behalf of the Board:

\$ 442,678,649

\$ 408,605,652

Lic. ANTONIO ORTIZ MENA

Lic. GUILLERMO MARTINEZ DOMINGUEZ

# as at December 31, 1969

(Canadian Currency)

(With comparative figures as at December 31, 1968)

## LIABILITIES

### CURRENT:

1969

1968

Accounts payable to suppliers, contractors and others . . . .	\$ 6,172,888	\$ 7,279,159
Dividends declared . . . . .	426,299	,426,622
Current portion of long term debt . . . . .	37,391,052	35,708,482
Accrued interest, wages and other expenses . . . . .	4,592,764	6,305,752
Employees' and Pensioners' Savings Fund . . . . .	1,345,918	1,435,777
	<u>49,928,921</u>	<u>51,155,792</u>

LONG TERM: (see statement attached) . . . . .	\$ 181,071,864	\$ 156,497,906
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### OTHER:

1969

1968

Provision for pensions — (Note 3) . . . . .	\$ 13,895,594	\$ 11,404,598
Separation payments (Note 3) . . . . .	9,097,745	—
Consumers' and other deposits . . . . .	10,226,731	9,510,008
	<u>33,220,070</u>	<u>20,914,606</u>
	\$ 264,220,855	\$ 228,568,304

## SHAREHOLDERS' INVESTMENT

### CAPITAL STOCK:

#### Preferred shares —

Authorized and issued 852,598 shares having a par value of \$ 13.50 Can. Cy. per share (Note 4) . . . .	\$ 11,510,973	\$ 11,518,794
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#### Common shares of no par value:

Authorized	5,000,000	
Issued — 1969	4,196,111	
Issued — 1968	3,814,842	
	<u>31,928,205</u>	<u>31,546,936</u>
	\$ 43,438,278	\$ 43,065,730

### EARNED SURPLUS: (Note 3)

Statutory reserve . . . . .	\$ 3,738,516	\$ 3,146,380
Reinvestment reserve . . . . .	45,352,801	45,744,186
Retained earnings reserve . . . . .	39,992,449	41,467,052
Unallocated income for the year, after deducting \$ 603,065 in 1969 and \$ 687,867 in 1968, transferred to statutory reserve . . . . .	10,879,204	14,903,803
	<u>99,962,970</u>	<u>105,261,421</u>
	\$ 143,401,248	\$ 148,327,151

### COSUMERS' COOPERATION TOWARD EXTENSIONS . . . . .

1969

1968

\$ 442,678,649

\$ 408,605,652

The attached notes form part of this statement.

# Statement of Consolidated Profit and Loss for the Year Ended December 31, 1969

(With comparative figures for the year ended December 31, 1968)  
(Expressed in Canadian Currency)

	1969	1968
OPERATING REVENUE	\$ 172,212,415	\$ 157,010,114
OPERATING AND OTHER EXPENSES:		
Energy purchased	\$ 45,142,366	\$ 44,787,848
Fuel	6,189,555	3,172,250
Wages	40,041,173	35,768,851
Employee benefits	31,584,738	25,352,331
Other operating and maintenance expenses	8,446,100	6,366,548
Provision for deferred maintenance	—	1,729,383
Administrative expenses	1,911,086	1,532,022
Provision for doubtful accounts	675,019	,951,161
Taxes and duties	2,579,039	2,032,176
Provision for retirements and replacements, including depreciation and amortization (Note 2)	10,224,113	9,814,190
	\$ 146,793,189	\$ 131,506,760
NET OPERATING REVENUE	\$ 25,419,226	\$ 25,503,354
OTHER REVENUE	483,373	296,618
	\$ 25,902,599	\$ 25,799,972
INTEREST ON LONG TERM DEBT	\$ 16,066,720	\$ 12,245,825
Less: Interest during construction	608,221	744,671
	\$ 15,458,499	\$ 11,501,154
Less: Interest earned on investments in immediately redeemable securities	1,989,329	2,157,544
NET INTEREST	\$ 13,469,170	\$ 9,343,610
PROVISION FOR EMPLOYEES' PROFIT-SHARING	951,160	864,692
	\$ 14,420,330	\$ 10,208,302
Net profit of the year	\$ 11,482,269	\$ 15,591,670
Appropriation to Statutory Reserve	603,065	687,867
Unallocated income for the year	\$ 10,879,204	\$ 14,903,803

The attached notes form part of this statement.



# Consolidated Statement of Movement of Shareholders' Investment for the Year Ended December 31, 1969

(Expressed in Canadian Currency)

	Capital stock	Statutory reserve	Reinvestment reserve	Retained earnings reserve	Unallocated Surplus from previous years	Unallocated profit for current year	Consumers cooperation toward extensions
Balance at December 31, 1968 .....	43,065,730	3,146,380	45,744,186	41,467,052	—	14,903,803	31,710,197
Transfer of the 1968 profits .....	—	—	—	—	14,903,803	(14,903,803)	—
Adjustment of the provision for employees' profit sharing in 1968 .....	—	—	—	—	940	—	—
Purchase, at redemption price, and cancellation of 646 unclaimed preferred shares, in accordance with Clause 25 of the Plan of Arrangement dated December 1, 1949 .....	(8,721)	—	—	(1,777)	—	—	—
Surplus from liquidation of L.M. Guibara, Sucs. S. en C. (subsidiary) ..	—	(10,929)	(10,116)	(173,975)	195,020	—	—
Dividends declared by The Mexican Light and Power Company, Ltd. .	—	—	—	—	—	—	—
In Cash, on the preferred shares (\$1.00 Can. Cy per share) .....	—	—	—	(852,598)	—	—	—
In stock, on the Common shares 381,269 common shares (10 one-hundredths of a common share per share, stated at \$1.00 Can. Cy per share) .....	381,269	—	(381,269)	—	—	—	—
Credit from the cancellation of contingent liability provisions ...	—	—	—	—	227,149	—	—
Increase in reserves, as follows:							
Adjustment to the accrued depreciation as of December 31, 1968 resulting from the adoption of new rates and methods, whose use prevails in Mexico (Note 2)	—	—	—	—	(7,972,458)	—	—
Establishment of the liability for separation payments (Note 3) ..	—	—	—	—	(7,800,707)	—	—
Transfer to the retained earnings reserve .....	—	—	—	(446,253)	446,253	—	—
Consumers' cooperation toward extensions in 1969 .....	—	—	—	—	—	—	3,346,349
Net profit for the period from January 1 to December 31, 1969, as per consolidated statement of earnings, deducting the appropriation to the statutory reserve .....	—	603,065	—	—	—	10,879,204	—
Balance as of December 31, 1969 .....	43,438,278	3,738,516	45,352,801	39,992,449	—	10,879,204	35,056,546

# *Consolidated Statement of Long Term Liabilities as at December 31, 1969*

	Currency Payable In	Original Currency	Canadian Currency
First Mortgage Bonds:			
5 % Series "A" semi-annual Sinking Fund Bonds and De- benture stock, due 1975 .....	U S CAN	\$ 3,619,700	\$ 3,909,276 102,165
4 1/2 % Series "B" Serial Bonds, semi-annual maturities to 1975, guaranteed by Federal Government .....	U S	9,041,000	9,764,280
7 % Series "D" Serial Bonds, semi-annual maturities to 1975 .....	MEX	36,357,000	3,143,760
5-5/8 % Series "E" Serial Bonds, semi-annual maturities to 1977, guaranteed by the Federal Government .....	U S CAN	5,489,341	5,928,488 430,000
6 % Series "F" annual Sinking Fund Bonds, due 1983 ....	U S	3,474,000	3,751,920
Total Outstanding .....			\$ 27,029,889
5 1/2 % Cumulative Income Debenture Stock, interest payable annually, and Sinking Fund of \$ 92,487 U.S. Cy per annum. The guaranty is a general lien on the Company's property in case of default .....			
	U S	3,046,920	\$ 3,290,674
Other loans, subordinated to the above:			
From Nacional Financiera, S. A.			
At 7 % per annum, semi-annual maturities to 1978	MEX	112,420,258	\$ 9,720,887
At 8 % per annum, semi-annual maturities to 1981	MEX	74,198,651	6,415,896
			\$ 16,136,783
Federal Electricity Commission:			
Promissory notes in its favor:			
8.18 % per annum, semi-annual maturities to 1980	U S	8,105,000	\$ 8,753,400
8.25 % per annum, semi-annual maturities to 1980	U S	\$ 4,033,010	\$ 4,355,651
8.755 % per annum, annual maturities to 1979 ...	GER	56,451,724	15,235,869
Non-interest bearing, due 1970 .....	MEX	60,000,000	5,188,151
			\$ 33,533,071

	Currency Payable In	Original Currency	Canadian Currency
Joint contracts with Nacional Financiera, S. A., for subsidiary credits:			
436-ME at 5½ % and 6% per annum, semi-annual maturities to 1985 .....	U S	14,621,602	15,791,330
544-ME at 6 % , 6¼ % and 7% per annum, semi-annual maturities to 1988 .....	U S	9,663,040	10,436,083
Pending .....	U S	3,821,071	4,126,756
			<u>\$ 63,887,240</u>
Foreign Banks, with the guarantee of Nacional Financiera, S. A.:			
Loans from various foreign banks:			
At 6½ % to 7½ % per annum, with annual maturities from 1970 to 1979 .....	U S	32,362,261	\$ 34,951,242
At 10 % per annum, semi-annual maturities to 1972	SW	35,963,333	9,000,000
At 11½ % per annum, due 1974 .....	SW	65,000,000	16,200,000
At 11 % per annum, due 1979 .....	SW	69,195,308	17,100,900
			<u>\$ 77,252,142</u>
Less: Unearned interest, documented .....			1,388,507
			<u>\$ 75,863,635</u>
Mexican Banks:			
Loans from various banks, at 12 % per annum, with semi-annual maturities from 1970 to 1974 .....	MEX	368,000,000	\$ 31,820,657
TOTAL OF OTHER LOANS			<u>\$ 187,708,315</u>
Suppliers Credits, due in 1970 .....	U S	416,183	\$ 449,477
Less — Unearned interest, documented .....			15,439
			<u>\$ 434,038</u>
TOTAL			<u>\$ 218,462,916</u>
Less — Current portion of long term debt .....			37,391,052
TOTAL			<u>\$ 181,071,864</u>

MEX - Mexican Pesos  
 U S - U.S. Dollars  
 CAN - Canadian Dollars  
 GER - German Marks  
 SW - Swiss Francs

# THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES

(Including Compañía de Luz y Fuerza del Centro, S. A.)

## *Consolidated Statement of Source and Application of Funds for the Year Ended December 31, 1969*

(Expressed in Canadian Currency)

### SOURCE

#### Internal —

Net profit of the year .....	\$ 10,879,204	
Appropriation to Statutory Reserve .....	603,065	\$ 11,482,269
Increase in depreciation and amortization (including the provision for retirements and replacements);		
Current .....	\$ 10,224,113	
Special credit to unify rates and methods with those of Federal Electricity Commission (Note 2) ....	7,972,458	18,196,571
		\$ 29,678,840
Cooperation from consumers during year .....		3,346,349
		\$ 33,025,189

#### External —

Long term credits obtained from:		
Foreign banks .....	\$ 33,810,784	
Local banks .....	23,346,678	
Federal Electricity Commission and Nacional Financiera, S. A. ....	28,828,103	
	\$ 85,985,565	
Less: used to pay long term debt .....	53,119,351	
	\$ 32,866,214	
Creation of provision for separation payments (Note 3)	9,097,745	
Increase in other liabilities, especially provision for pensions .....	3,207,719	45,171,678
Funds obtained .....		\$ 78,196,867

### APPLICATION

Additions to properties, plant and equipment .....		\$ 37,845,586
Net increase in current assets .....	\$ 7,278,843	
Reduction in short term liabilities .....	2,909,441	10,188,284
Increase in other assets .....		7,145,139
Reduction in long term liabilities .....		6,609,686
Net reduction in earned surplus:		
Special increase in accrued depreciation and creation of provision for separation payments .....	\$ 15,773,165	
Other decreases, net (principally from dividends on preferred shares) .....	635,007	16,408,172
Total funds used .....		\$ 78,196,867



## *Notes to Consolidated Financial Statements as at December 31, 1969*

### 1. TRANSLATION OF CURRENCIES

During 1969, assets, liabilities and financial results in currencies other than Canadian have been translated into Canadian funds at the rate of exchange of: \$ 12.49 Pesos = \$ 1.00 US = \$1.08 Canadian, with the exception of additions to property, plant, and equipment, which were registered in Canadian currency, translating Pesos at the rate of exchange in effect on the date of their acquisition.

### 2. DEPRECIATION AND AMORTIZATION

In 1969, the Company adopted the rates and methods of depreciation used by the Federal Electricity Commission, which are also used by the majority of the companies generating electricity in the world. This produced an increase of \$ 92.2 million pesos in the balance accrued at December 31, 1968, which was applied against the earnings of previous years.

### 3. RESERVE FOR RETIREMENTS AND SEPARATION PAYMENTS

a) Until 1968, the provision for retirements was calculated in accordance with the provisions of the collective contract, including, besides, an estimate of benefits to officers. In 1969, based on studies by an independent actuary the amount of payments to be made for this purpose over the next 10 years, was determined, and the procedure was adopted of distributing over this term the charges to earnings. This charges produced an additional increase in the provision, charged to the earnings of 1969, of \$ 32.0 million pesos.

b) A number of years ago the Company assumed the commitment of granting its workers a separation payment, equivalent to 20 days' wages for each year of services rendered. The accrued benefits as of December 31, 1969 amounted to about \$ 300 million pesos and the estimated future annual payments are somewhat over \$ 20 million pesos.

In 1969 it was decided to register a liability for this item of \$ 105.2 million pesos (90.2 million pesos were applied to unallocated surplus of previous years and 15.0 million pesos to the 1969 earnings). In the future, in addition to the charge for payments made, the results will reflect a provision calculated in such a way that over a period close to 10 years this provision will show the total amount of separation payments accrued, even though the workers might not have the right to collect them.

### 4. PREFERRED SHARES

These shares are entitled to a cumulative preferential dividend of \$ 1.00 Can. Cy. per share per annum, and to receive \$16.50 Can. Cy. per share on redemption or in case of liquidation of the Company.





